SMALL BUSINESSES ARE JOB CREATORS

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It is easy to be an advocate for small business. Small firms account for half of our gross domestic product, employ half of the American workforce, and generate most of our net new jobs. Moreover, small business patents push the boundaries of technology, and their innovations are the source of new markets, enhanced competition, and expanded economic growth and employment. It is no wonder that politicians of both parties are eager to embrace entrepreneurs.

From time to time, small business advocates are challenged by those who feel that the importance of small businesses to the economy is exaggerated. These arguments are not new. A recent article in an American Enterprise Institute magazine, for instance, attempts to refute the net job creation of entrepreneurs; but this article, like the ones that came before it, is simply inaccurate. Thirteen months ago, the U.S. Bureau of Labor Statistics found that small businesses generated 65 percent of the net employment growth between September 1992 and March 2005, confirming similar data from the U.S. Census Bureau.

Far from a myth, the reality is that most net job creation takes place in the first two years of a firm's existence and within firms that employ fewer than 20 workers. Many of these firms will become fast-growing "gazelles" that will eventually grow to be large firms that employ hundreds or thousands of people. That growth is due to the hard work, innovation, and risk-taking by entrepreneurs who have a vision for the future and the passion to turn dreams into reality.

Many of those who attempt to deny the data on small business and job creation also take issue with attempts to level the playing field for small firms by reforming rules and regulations. However, Office of Advocacy research by Dr. Mark Crain shows that firms with fewer than 20 employees annually pay 45 percent more per employee to comply with federal regulations than their larger counterparts do.

Clearly, one-size-fits-all regulatory approaches have much larger impact on small businesses. Moreover, many times these firms are caught in a web of safety, tax, and environmental regulations when small businesses are not part of the problem that the regulations are attempting to solve. Over 25 years ago, Congress recognized this dilemma and passed the Regulatory Flexibility Act (RFA). Simply stated, the RFA helps protect small business from unnecessary regulatory burdens. It requires federal regulators to draft small business impact statements whenever they propose new rules. Also, the RFA requires that agencies consider less burdensome alternatives that do not undermine the intent of the regulations.

Ensuring that small businesses are taken into consideration when new regulations are being written does not give small businesses an unfair advantage. It merely helps level the playing field and allows small business owners to focus their attention on what they do best -- create innovative new products and services, generate jobs, and grow the economy.

As evidenced by reputable research and statistics, entrepreneurs play a unique role in our economy; they are dynamic, creative, innovative, and job-creating. Policymakers and academics appreciate their importance to economic growth and future employment. To do otherwise would be a serious omission.

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